

# **Form ADV Part 2A**

## **Appendix 1: Wrap Fee Program Brochure**

### **Item 1 – Cover Page**

**August 2017**

**235 Montgomery Street Suite 650  
San Francisco, CA 94104  
Tel: 646-469-2139**

**[www.openinvest.co](http://www.openinvest.co)**

This Wrap Fee Program Brochure provides information about the qualifications and business practices of Open Invest Co. ("OpenInvest"). If you have any questions about the contents of this Brochure, please contact Open Invest at **646-469-2139, or [compliance@openinvest.co](mailto:compliance@openinvest.co)**. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about OpenInvest is also available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

## Item 2 - Material Changes

Part 2A of Form ADV Brochure was prepared for Open Invest Co.'s ("OpenInvest") registration as an investment adviser with the United States Securities and Exchange Commission ("SEC").

OpenInvest will ensure that all current Clients receive a summary of material changes to this and subsequent Brochures within 120 days of the close of our business' Fiscal Year. Our Brochure can be found on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number OpenInvest is 269997. The summary of material changes is listed in the section below. We may provide future information about material changes as necessary and will further provide you with a new Brochure as needed.

Currently, our Brochure may be requested by contacting us at 646-469-2139 or via email to [compliance@openinvest.co](mailto:compliance@openinvest.co). Our Brochure is provided free of charge.

### Summary of Material Changes

- Item 6 c): Revision to reflect change in Proxy Voting practices on behalf of client accounts.

## **Item 3 - Table of Contents**

### **Table of Contents**

<b>Item 1 – Cover Page .....</b>	<b>1</b>
<b>Item 3 - Table of Contents .....</b>	<b>3</b>
<b>Item 4 – Services, Fees and Compensation .....</b>	<b>4</b>
<b>Item 5 – Account Requirements and Types of Clients.....</b>	<b>4</b>
<b>Item 6 – Portfolio Manager Selection and Evaluation .....</b>	<b>5</b>
<b>Item 7 – Client Information Provided to Portfolio Managers .....</b>	<b>8</b>
<b>Item 8 – Client Contact with Portfolio Managers.....</b>	<b>8</b>
<b>Item 9 – Additional Information .....</b>	<b>9</b>

## **Item 4 – Services, Fees and Compensation**

### **General Description of Advisory Firm**

Open Invest Co. (“OpenInvest”), is a corporation that was founded in 2015. The principle owners of OpenInvest Co. are Conor Murray and Phillip Wei. OpenInvest is registered with the SEC as an internet only adviser, which means that it may only provide investment advice to its clients through an interactive website. As of December 31, 2016, OpenInvest manages approximately \$ \$1.4 million of Client assets on a discretionary basis.

### **General Description of Wrap Fee Services and Fees**

OpenInvest offers the following wrap fee program (“Program”) whereby OpenInvest charges a single asset-based fee for advisory services, which includes the cost of portfolio management services and the execution of securities transactions, including brokerage commissions, account opening fees, transactions fees, custodian fees, investment adviser fees and other related costs and expenses. Costs that are unrelated to the ongoing management of the Client account will be borne by the Client.

The Program has been designed by OpenInvest to permit Clients to invest in securities based on their personal values. The automated system collects investment objectives, risk tolerance, and other information from Clients, including information about their personal values, and then permits Clients to opt in or out of specific companies or themes based on social awareness factors. The Program is implemented in an automated fashion and Client portfolios are deployed and rebalanced automatically as applicable. OpenInvest does review trades proposed by the system prior to execution.

The annual fee for the Program is billed monthly in arrears on the last business day of the month. Fees will be assessed pro rata in the event the portfolio management agreement is executed at any time other than the first business day of a calendar quarter.

Fees are negotiable and may vary, but generally will be based on an annual percentage rate of 50 basis points (0.5%) of assets under management. The overall cost you will incur if you participate in our Program may be higher or lower than you might incur by separately purchasing the types of securities available in the program due to varying commission rates, custodial fees, and other factors.

As OpenInvest absorbs certain transaction costs in wrap fee accounts, it may have a financial incentive not to place transaction orders in those accounts since doing so increases its transaction costs. Thus, an incentive exists to place trades less frequently in a wrap fee arrangement. Nonetheless, OpenInvest is committed to placing transactions in Client accounts when it believes such transactions are appropriate. OpenInvest does not receive compensation from any third-party for placing Clients in the Program.

## **Item 5 – Account Requirements and Types of Clients**

The minimum investment required to open an account and participate in the Program is \$3,000.

Clients are generally individuals, but may include pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities. Clients are not required to have a certain amount

of investment experience, personal wealth, or sophistication.

OpenInvest will require that clients establish brokerage accounts with Tradier Brokerage Inc. ("Tradier"), a registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. OpenInvest is independently owned and operated and not affiliated with Tradier. Tradier provides OpenInvest with access to brokerage services that are related to the execution of securities transactions, custody, analyses and reports, and access to mutual funds and other investments.

## Item 6 – Portfolio Manager Selection and Evaluation

All OpenInvest Clients receive automated investment advice directly through the website and as such, they are not assigned individual portfolio managers. Since portfolio management is performed digitally and internally, OpenInvest is required to disclose the following information about A) Investment Strategies and Methods of Analysis, B) Risk Factors, and C) Proxy Voting.

- A) *Investment Strategies and Methods of Analysis.* OpenInvest believes that passive investing to generally track market returns is the most efficient and cost effective way by which many can invest. When opening an account, and through subsequent updates, Clients have the opportunity to select which social issues are important to them and then the OpenInvest system weights a custom portfolio to Client specifications. In this manner, Clients are able to allocate money to or away from companies for which they have a moral opinion. Using data from various sources including, but not limited to, Forest500, Carbon Underground 200, ET Index, Corporate Equality Index, and 2020 Women on Boards, OpenInvest is able to categorize companies across a broad spectrum of social issues to provide Clients with a diversified and unique portfolio that speaks to their individual values while still remaining soundly invested. As OpenInvest does not conduct active trading strategies, Client accounts are infrequently rebalanced due to market conditions, but may be rebalanced more frequently due to Client selections and the addition of new value screening options to the website. Allocations are typically limited to publicly traded US equities, mutual funds, ETFs, and money markets.
- B) *Risk Factors.* Following are some of the primary, but not all, risks that Clients may face when investing with OpenInvest.

### **Principal Investment Risks:**

Investing in securities involves risk of loss that clients should be prepared to bear. OpenInvest cannot guarantee that it will achieve a Client's investment objective. Clients' returns will fluctuate, and you may lose money by investing in securities. Below are some more specific risks of investing with OpenInvest:

- **Market Risk.** Investors should have a long-term perspective and be able to tolerate potentially sharp declines in market value. The prices of securities held by mutual funds in which clients invest may decline in response to certain events taking place around the world, including those directly involving the companies whose securities are owned by the mutual funds; conditions affecting the general economy; overall market changes; local, regional or global political, social or economic instability; and currency, interest rate and commodity price fluctuations.
- **Equity Risk.** Equity securities tend to be more volatile than other investment choices. The value of an individual mutual fund can be more volatile than the market as a whole. This volatility affects the value of the client's overall portfolio. Small- and mid-cap companies are subject to additional risks. Smaller companies may experience greater volatility, higher failure rates, more limited markets, product lines,

financial resources, and less management experience than larger companies. Smaller companies may also have a lower trading volume, which may disproportionately affect their market price, tending to make them fall more in response to selling pressure than is the case with larger companies. Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, the company's ability to create shareholder value (i.e., increase the value of the company's stock price), exposure to government taxation, and domestic political risk.

- **Fixed Income Risk.** The issuer of a fixed income security may not be able to make interest and principal payments when due. Generally, the lower the credit rating of a security, the greater the risk that the issuer will default on its obligation. If a rating agency gives a debt security a lower rating, the value of the debt security may decline because investors demand a higher rate of return. As nominal interest rates rise, the value of fixed income securities is likely to decrease. A nominal interest rate is the sum of a real interest rate and an expected inflation rate.
- **Mutual Fund Risk.** OpenInvest may recommend open-end mutual funds and Exchange Traded Funds ("ETFs") to implement a client's portfolio. The funds may, in turn, invest in a broad range of equity and fixed income securities, including foreign securities and securities of issuers located in emerging markets. The funds may also invest in equity securities of any market capitalization including micro-, small- and mid-cap companies, real estate, commodities-related assets, fixed income securities of any maturity or credit quality, including high-yield, high-risk debt securities, ETFs, other mutual funds, money market funds and they may engage in leveraged or derivative transactions. We have no control over the investment strategies, policies or decisions of the mutual funds and, in the event of dissatisfaction with such a fund; our only option would be to liquidate clients' investments in that fund.
- **Foreign Securities Risk.** Funds in which clients invest may invest in foreign securities. Foreign securities are subject to additional risks not typically associated with investments in domestic securities. These risks may include, among others, currency risk, country risks (political, diplomatic, regional conflicts, terrorism, war, social and economic instability, currency devaluations and policies that have the effect of limiting or restricting foreign investment or the movement of assets), different trading practices, less government supervision, less publicly available information, limited trading markets and greater volatility. To the extent that underlying funds invest in issuers located in emerging markets, the risk may be heightened by political changes, changes in taxation, or currency controls that could adversely affect the values of these investments. Emerging markets have been more volatile than the markets of developed countries with more mature economies.
- **ETF Risk.** Clients may invest in ETFs which may, in turn, invest in equities, bonds, and other financial vehicles. ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Clients could invest in an ETF to gain exposure to a portion of the U.S. or foreign market. Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral, and the liquidity of the supporting collateral. Further, the use of leverage (i.e., employing the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.
- **U.S. Government Securities.** Funds in which clients invest may invest in U.S. government securities. U.S. government securities include securities issued by the U.S. Treasury and by U.S. government agencies and instrumentalities. U.S. government securities may be supported by the full faith and credit of the United States.
- **Concentration Risks.** Clients invest in diversified portfolios of open-end mutual funds and ETFs, but some clients may choose to have their investment portfolios heavily weighted in a particular type of security, industry, industry sector, geographic location or investment manager. Such clients will

experience greater risk and volatility in their portfolios. Generally, clients who have diversified portfolios incur less volatility and fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

**OpenInvest-Specific Risks:**

- **Internet-Only Adviser.** OpenInvest is currently registered with the SEC as an “Internet-Only Adviser”, meaning that it is permitted solely to offer investment to Clients by means of an interactive website. As such, OpenInvest may only communicate with Clients directly about issues related to troubleshooting user experience on the website or other clerical/administrative tasks. Clients will not receive any investment advice directly from humans on behalf of Open Invest, which may be difficult for some Clients. All OpenInvest Clients are expected to have a certain degree of digital literacy necessary to navigate the platform and review the services offered therethrough. Open Invest services may not be suitable for Clients who are not comfortable using the Internet or making decisions based on information that they have not been able to review with a person. OpenInvest strongly urges all prospective Clients to consider these factors before signing up for service.
- **Management Risk.** OpenInvest’s investment approach may fail to produce the intended results. If our perception of the performance of a specific asset class or fund is not realized in the expected time frame, the overall performance of Clients’ portfolios may suffer.
- **Market Data.** OpenInvest relies on third parties for the provision of market statistics, fund details, performance, and related information and although these parties are generally reliable and reputable, there may be inaccuracies or discrepancies in the information that is beyond Open Invest’s control.
- **Client Information.** OpenInvest bases its recommendations solely on information provided by Clients and relies on the Client to provide accurate information. If the Client provides inaccurate information, this will impact the quality and relevance of OpenInvest’s recommendations. Further, Clients are required to keep such information as up to date as possible so that OpenInvest can continue to provide relevant recommendations.
- **Proprietary Software.** OpenInvest provides recommendations to Clients based on proprietary software that utilizes various quantitative and qualitative models. Such computer-generated recommendations, like all investment recommendations, may be subject to system error. No guarantee or representation is made that the investment recommendations will be successful. OpenInvest may simply fail to identify favorable investment opportunities or to evaluate those investments recommendations accurately that it does make to Clients. Further, as market dynamics (for example, due to changed market conditions and participants) shift over time, a previously highly successful model may become outdated or inaccurate, perhaps without the computer software system recognizing the change before further recommendations are made. As such, Clients are urged to verify any recommendations generated by the OpenInvest software platform with their own legal, financial, tax and economic advisors and to conduct their own due diligence on recommended Securities before following any recommendation.
- **Account Rebalancing.** Client accounts may be rebalanced from time to time for reasons including, but not limited to, updates to the parent model portfolios, market performance, cash inflows/outflows, Client adjustment of investment profile or risk tolerance, tax-loss harvesting, a change in underlying securities selected by OpenInvest, or adjustments to issue/theme preferences from Client. Account rebalancing may occur at any time and without notice to Clients. Typically, accounts will be rebalanced a maximum of once per month, or more often as conditions dictate. Rebalancing for any reason may trigger taxable events and may cause accounts to hold versions of similar securities to ensure avoidance of wash sales. All rebalancing is automated by OpenInvest’s proprietary software in conjunction with software provided by the Custodian for simplicity of execution and is therefore subject to potential automation errors. In the event of a market downturn, it is possible that the rebalancing will sell securities in now overweight sectors to purchase additional shares of securities that are now underweight, which could exacerbate losses in such an environment. OpenInvest reserves the right, in its full discretion, to halt account rebalancing in the best interests of Clients.

- **Tax-Loss Harvesting.** OpenInvest automatically engages in tax-loss harvesting for Planning and Investing Clients. Notwithstanding this, OpenInvest does not provide any comprehensive tax advice and makes no guarantee that such tax-loss harvesting will be successful. Tax-loss harvesting efforts may potentially lead to Clients holding multiple similar securities to ensure avoidance of wash sales. In some instances, this may affect account performance and may temporarily reduce portfolio diversification.

C) *Proxy Voting.* Clients may, in their sole discretion, appoint OpenInvest as agent for voting proxies by selecting that option on account paperwork with their broker-dealer or custodian.

OpenInvest has adopted policies and procedures that address generally the guidelines it expects to follow in the exercise of its voting authority over proxies it receives on behalf of Clients. OpenInvest will vote Client proxies in the best interest of its Clients. OpenInvest will consider a number of factors to determine whether exercising the Clients' voting rights as to its securities is in the relevant Client's best interest, such as whether the securities are being held for a short or long period of time.

When voting a proxy on behalf of a Client, OpenInvest will generally follow its voting guidelines. OpenInvest attempts to identify conflicts of interest that may arise in the proxy decision making process. If a material conflict of interest over proxy voting arises between OpenInvest and a Client, OpenInvest will seek to resolve the conflict and vote the proxies in a manner that is in the relevant Client's best interest. OpenInvest will provide, upon request, a copy of those policies and procedures and/or information concerning its voting record on account proxy matters. Such a request may be made by submitting a written request to OpenInvest at the address on the cover page of this brochure.

OpenInvest has determined the following guidelines will govern its proxy voting practices:

- OpenInvest may engage clients on a subset of environmental, social, and governance ("ESG-related" or "ESG") votes that are pertinent to the values options they have selected on the Firm's platform.
- For other ESG-related votes, or for votes in which the client is engaged but does not respond, OpenInvest will default to the Glass Lewis recommended ESG/SRI position.

## Item 7 – Client Information Provided to Portfolio Managers

OpenInvest, as the sponsor and portfolio manager of the Program, will not provide Client information to other portfolio managers.

For a copy of OpenInvest's Privacy Policy please see the website at <https://www.openinvest.co/privacy-policy>

## Item 8 – Client Contact with Portfolio Managers

As noted in Item 6 above, OpenInvest is an internet-only adviser, meaning that Clients may not be able to communicate with OpenInvest staff regarding investment advice. Please consider the risks of using an



internet-only adviser, as outlined above, and your personal investment style before signing up for an account with OpenInvest.

## **Item 9 – Additional Information**

### **Disciplinary Information**

OpenInvest has no material events to disclose.

### **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

OpenInvest has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics (the “Code”) includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts, the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things.

OpenInvest requires all supervised persons to acknowledge the terms of the Code of Ethics annually, or as amended.

OpenInvest anticipates that in certain circumstances, it may recommend the purchase or sale of securities, consistent with the client’s investment objectives, in a security in which OpenInvest, its affiliates and/or clients, directly or indirectly, have a position of interest.

OpenInvest’s employees and associated persons are required to follow its Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of OpenInvest and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of OpenInvest will not interfere with:

- Making decisions in the best interest of advisory clients
- Implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of Clients. All trades in Initial Public Offerings (IPOs) or private securities require pre-clearance. In addition, the Code imposes a blackout period on employee trading, restricting employees from buying or selling a security on the same day that they trade that security for a Client. However, because the Code of Ethics does permit employees to invest in the same securities as Clients, there is a possibility that employees might benefit from market activity by a Client in a security held by an employee.

Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between OpenInvest and its Clients.

OpenInvest’s Clients or prospective clients may request a copy of the firm’s Code of Ethics by contacting

## Securities Recommendations

Neither OpenInvest, nor any of its related persons, recommends to Clients, or buys or sells for Client accounts, securities in which OpenInvest has a direct material financial interest. OpenInvest does have investment authority to purchase or sell securities on behalf of Clients participating in the Program. OpenInvest's associated persons may purchase securities for their own accounts, which may, in certain instances, be the same Securities as those recommended to Clients.

Registrant's Code of Ethics governs personal trading of Registrant's related persons and requires all related persons to place the interests of Clients over their own or those of OpenInvest.

OpenInvest's Code also maintains policies and procedures to prevent insider trading that are designed to prevent the misuse of material, non-public information. OpenInvest personnel are required to certify their compliance with the Code annually.

## Review of Client Accounts

OpenInvest periodically reviews accounts to ensure that they are in-line with the expected portfolio output based on Client inputs. Additionally, OpenInvest reviews trades proposed by its software prior to trade execution. More frequent account reviews may be triggered in the event of a change in the Client's financial situation, goals or risk tolerance.

OpenInvest sends periodic account summary reports to Clients, which include information regarding the Client's portfolio, including performance. Such information is also available by logging on to OpenInvest's website.

## Client Referrals and Other Compensation

OpenInvest does not compensate anyone, or receive compensation from anyone, for Client referrals.

## Financial Information

OpenInvest does not require or solicit prepayment of its management fees from clients six months or more in advance. There are no adverse conditions related to the Firm's finances that are likely to impair its ability to meet the Firm's contractual commitments to its clients. The Firm has never been the subject of a bankruptcy filing.